

# ANNUAL REPORT 1976



**Pe Ben Oilfield Services Ltd.**





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**BOARD OF DIRECTORS:**

H. A. Martin, Chairman of the Board, Vancouver  
P. W. Shipka, Edmonton  
B. F. Michetti, Edmonton  
J. N. Turvey, Vancouver  
G. P. Clarkson, Toronto

**OFFICERS:**

P. W. Shipka, President  
B. F. Michetti, Vice President  
J. N. Turvey, Secretary Treasurer

**EXECUTIVE OFFICE:**

17 Street & 45 Avenue  
P.O. Box 5805, Station "L"  
Edmonton, Alberta

**TRANSFER AGENT AND REGISTRAR:**

National Trust Company, Limited, Toronto

**STOCK EXCHANGES:**

Toronto Stock Exchange, Toronto  
Montreal Stock Exchange, Montreal

**BANKERS:**

The Royal Bank of Canada, Edmonton  
Bank of Montreal, Estevan

**SOLICITORS:**

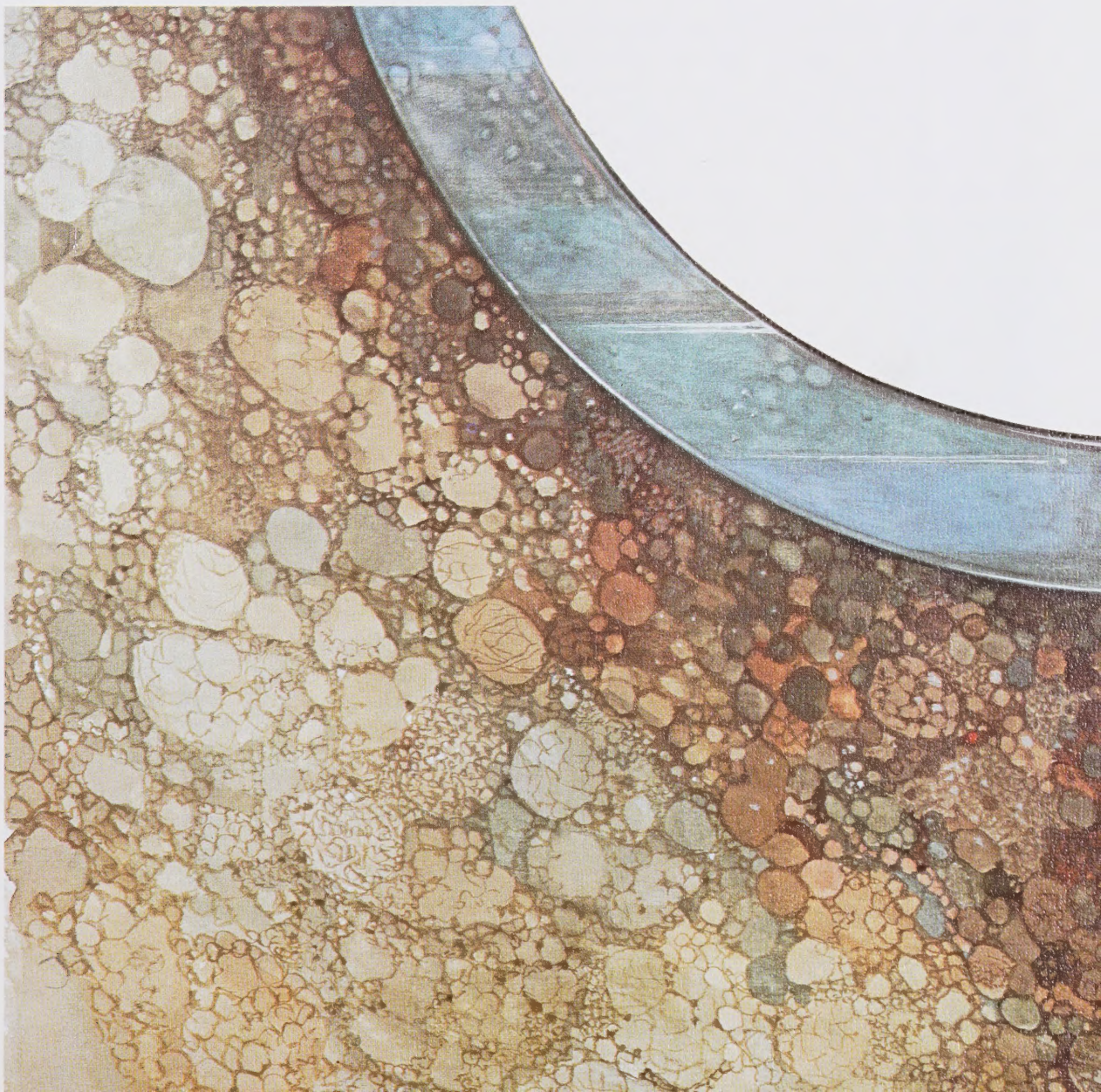
MacPherson, Leslie & Tyerman, Regina

**AUDITORS:**

Dunwoody & Company, Edmonton

**ANNUAL MEETING:**

The Annual General Meeting of the Shareholders of the Company shall be held in Edmonton, Alberta, at the Pe Ben Building on Tuesday, May 24, 1977, at the hour of 2:00 in the afternoon.









# **PRESIDENT'S REPORT TO THE SHAREHOLDERS**

The board of directors submits herewith the fourth annual report of the company for the fiscal year ended December 31, 1976, together with the financial statements and the auditor's report.

## **FINANCIAL REVIEW**

Consolidated gross revenues totalled \$14,339,416 compared with \$15,990,552 for 1975.

Consolidated net income for 1976 showed a loss of \$197,282 or \$0.11 per share as compared with a profit of \$349,830 or \$0.19 per share for 1975.

A number of adverse factors affected the company's operation for the year. Increased borrowing to purchase fixed assets required increased interest charges. Substantial reserves have also been provided against extraordinary costs incurred as a result of pending disputes on several contracts. The company is proceeding with entitlement and damage claims in its behalf in excess of the reserved amounts.

The 1976 results were further affected by a decline of revenues from the contracting division amounting to

43 per cent below those for the corresponding period of 1975. Big-inch pipeline construction was at a relatively low level during 1976. Although oil and gas exploration activity increased over 1975, it did not have a positive effect until 1976 winter operations began. In addition, there was a curtailment by government of some large projects in which our company had expected to participate. (You will be aware, however, of hopeful indications that such disappointing delays are temporary. National energy needs continue to press hard for early attention, calling forth the best efforts of our industry. Our company is well situated to play a full part in the revival and extension of activity in all branches).

As a major step in expanding the company's role beyond the handling of materials, Pe Ben Pipelines Limited was incorporated in May, 1976 to undertake the primary independent construction of pipelines.

Operations of this division in its first full year will exceed budgeted forecasts and management is deservedly optimistic about its contributions to the company in 1977.

The trend should be even more rewarding during ensuing years as pipeline construction accelerates in Canada.

# PRESIDENT'S REPORT

CONTINUED

## OTHER HIGHLIGHTS

During 1976 the company successfully negotiated a settlement in a sum exceeding \$1,000,000 for damages to it arising out of a breach of contract.

Effective on January 1, 1977, subject only to approval by the Foreign Investment Review Board, we expect to complete the sale of the net assets of Estevan Brick, as arranged during 1976.

Negotiations were concluded on January 7 of this year by which we will provide management services under contract of the Milton Group Ltd.'s brick plant in Milton, Ontario. In return, we have received an option to purchase a controlling interest in the Milton company within three years of the contract date.

On February 4 of this year, our company entered into a further agreement to sell 44 per cent of its Milton Brick option shares. This is conditional on the final closing of the Estevan Brick sale.

## OUTLOOK

Exploration projects by the oil and gas industry, as well as a substantial increase in pipeline construction, encourage us to expect a very successful performance in 1977. Our report for the first quarter of this year should reflect such favorable results.

Edmonton, Canada  
May 7, 1977

P. W. SHIPKA  
PRESIDENT



# FINANCIAL STATEMENTS 1976







# AUDITORS' REPORT

TO THE SHAREHOLDERS

PE BEN OILFIELD SERVICES LTD.

We have examined the consolidated balance sheet of Pe Ben Oilfield Services Ltd. as at 31 December 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Pe Ben Oilfield Services Ltd. and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of one of the subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at 31 December 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DUNWOODY & COMPANY  
CHARTERED ACCOUNTANTS

5 April 1977  
Edmonton, Alberta



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Consolidated Statement of Income and Retained Earnings

For The Year Ended 31 December 1976

|                                                                        | 1976         | 1975         |
|------------------------------------------------------------------------|--------------|--------------|
| GROSS REVENUE                                                          | \$14,339,416 | \$15,990,552 |
| EXPENSES                                                               |              |              |
| Operating and administration, Note 7 .....                             | 15,610,670   | 14,100,768   |
| Depreciation, Note 1(c) .....                                          | 733,078      | 645,352      |
| Interest                                                               |              |              |
| Current .....                                                          | 199,570      | 88,949       |
| Long term .....                                                        | 313,156      | 247,463      |
| Gain on disposal of fixed assets .....                                 | (81,876)     | (15,339)     |
|                                                                        | 16,774,598   | 15,067,193   |
| INCOME (LOSS) BEFORE THE UNDERNOTED .....                              | (2,435,182)  | 923,359      |
| Income taxes                                                           |              |              |
| Current .....                                                          | (481,00)     | 469,206      |
| Deferred .....                                                         | (705,000)    | (8,700)      |
|                                                                        | (1,186,000)  | 460,506      |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEM<br>AND MINORITY INTEREST ..... | (1,249,182)  | 462,853      |
| Minority interest                                                      | (80,690)     | —            |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEM .....                          | (1,329,872)  | 462,853      |
| Extraordinary item, Note 8 .....                                       | 1,132,590    | (113,023)    |
| NET INCOME (LOSS) FOR THE YEAR .....                                   | (197,282)    | 349,830      |
| Retained earnings, beginning of year                                   | 3,544,361    | 3,194,531    |
| RETAINED EARNINGS, END OF YEAR .....                                   | \$ 3,347,079 | \$ 3,544,361 |
| EARNINGS (LOSS) PER SHARE                                              |              |              |
| Income (loss) before extraordinary item .....                          | \$(.71)      | \$.25        |
| Net income (loss) .....                                                | \$(.11)      | \$.19        |



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Consolidated Balance Sheet

As At 31 December 1976

| ASSETS                                          |          | 1976                | 1975                |
|-------------------------------------------------|----------|---------------------|---------------------|
| CURRENT                                         |          |                     |                     |
| Accounts receivable .....                       |          | \$ 3,050,218        | \$ 5,079,880        |
| Income taxes recoverable .....                  |          | 517,009             | —                   |
| Inventories, Note 1(b) .....                    |          | 1,043,990           | 668,048             |
| Prepaid expenses .....                          |          | 336,401             | 44,648              |
| Current portion of note receivable .....        |          | 136,708             | 34,177              |
|                                                 |          | <u>5,084,326</u>    | <u>5,826,753</u>    |
| NOTE RECEIVABLE .....                           |          | —                   | 136,708             |
| FIXED, Notes 1(c) and 2 .....                   |          | 8,194,600           | 5,483,031           |
| OPERATING AUTHORITIES, at cost, Note 1(f) ..... |          | 227,306             | 227,306             |
| DEFERRED CHARGES, Note 1(d) .....               |          | <u>259,770</u>      | <u>318,626</u>      |
| Approved by the Board:                          |          | <u>\$13,766,002</u> | <u>\$11,992,424</u> |
| <u>P. W. Shipka;</u> .....                      | Director |                     |                     |
| <u>B. F. Michetti;</u> .....                    | Director |                     |                     |



## LIABILITIES

|                                                 | 1976                 | 1975                 |
|-------------------------------------------------|----------------------|----------------------|
| CURRENT                                         |                      |                      |
| Bank indebtedness, Note 3 .....                 | \$ 1,725,721         | \$ 955,155           |
| Accounts payable and accrued liabilities .....  | 1,679,960            | 1,999,727            |
| Income taxes .....                              | —                    | 503,991              |
| Deferred income taxes, Note 1(e) .....          | —                    | 335,650              |
| Current portion of long term debt, Note 4 ..... | <u>1,281,350</u>     | <u>631,666</u>       |
|                                                 | <u>4,687,031</u>     | <u>4,426,189</u>     |
| <br>LONG TERM DEBT, Note 4 .....                | <br><u>2,973,658</u> | <br><u>982,720</u>   |
| <br>DEFERRED INCOME TAXES, Note 1(e) .....      | <br><u>837,575</u>   | <br><u>1,206,825</u> |
| <br>MINORITY INTEREST, Note 1(a) .....          | <br><u>88,330</u>    | <br><u>—</u>         |

## SHAREHOLDERS' EQUITY

|                                                             |                      |                      |
|-------------------------------------------------------------|----------------------|----------------------|
| SHARE CAPITAL, Notes 5 and 6                                |                      |                      |
| Authorized                                                  |                      |                      |
| 2,500,000 Shares of no par value                            |                      |                      |
| Issued                                                      |                      |                      |
| 1,877,600 Shares .....                                      | 1,819,317            | 1,819,317            |
| <br>EQUITY INCREASE ON ACQUISITION OF<br>SUBSIDIARIES ..... | <br>13,012           | <br>13,012           |
| <br>RETAINED EARNINGS .....                                 | <br><u>3,347,079</u> | <br><u>3,544,361</u> |
|                                                             | <u>5,179,408</u>     | <u>5,376,690</u>     |
|                                                             | <u>\$13,766,002</u>  | <u>\$11,992,424</u>  |

ANTI-INFLATION ACT, Note 9

SUBSEQUENT EVENTS, Note 10

CONTINGENT LIABILITY, Note 11



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Consolidated Statement of Changes in Financial Position

For The Year Ended 31 December 1976

|                                                                        | 1976                     | 1975                      |
|------------------------------------------------------------------------|--------------------------|---------------------------|
| <b>SOURCE OF FUNDS</b>                                                 |                          |                           |
| Operations                                                             |                          |                           |
| Net income (loss) before extra-ordinary item .....                     | \$(1,329,872)            | \$ 462,853                |
| Items not involving funds                                              |                          |                           |
| Depreciation .....                                                     | 733,078                  | 645,352                   |
| Deferred income taxes, non-current                                     | (369,250)                | (260,200)                 |
| Gain on disposal of fixed assets .....                                 | (81,876)                 | (15,339)                  |
| Amortization of deferred costs .....                                   | 58,856                   | 74,027                    |
|                                                                        | (989,064)                | 906,693                   |
| Note receivable .....                                                  | 136,708                  | —                         |
| Sale of fixed assets .....                                             | 482,712                  | 2,582,135                 |
| Issue of common shares .....                                           | —                        | 170,885                   |
| Increase in long term debt for acquisitions of fixed assets, net ..... | 1,990,938                | —                         |
| Extraordinary item .....                                               | 1,132,590                | 82,334                    |
| Minority interest .....                                                | 88,330                   | —                         |
|                                                                        | <u>2,842,214</u>         | <u>3,742,047</u>          |
| <b>APPLICATION OF FUNDS</b>                                            |                          |                           |
| Decrease in long term debt, net .....                                  | —                        | 1,727,258                 |
| Additions to fixed assets .....                                        | 3,845,483                | 1,298,373                 |
| Site preparation costs deferred .....                                  | —                        | 143,708                   |
| Note receivable .....                                                  | —                        | 136,708                   |
|                                                                        | <u>3,845,483</u>         | <u>3,306,047</u>          |
| <b>INCREASE (DECREASE) IN WORKING CAPITAL .....</b>                    | <b>(1,003,269)</b>       | <b>436,000</b>            |
| Working capital, beginning of year .....                               | <u>1,400,564</u>         | <u>964,564</u>            |
| <b>WORKING CAPITAL, END OF YEAR .....</b>                              | <b><u>\$ 397,295</u></b> | <b><u>\$1,400,564</u></b> |



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Notes To Consolidated Financial Statements

As At 31 December 1976

### 1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies of the company:

#### (a) Principles of consolidation

These consolidated financial statements include the accounts of the company, its wholly owned subsidiaries and a subsidiary in which the company owns 51% of the voting shares representing 47.6% of the equity shares.

#### (b) Inventories

The inventories are valued at the lower of cost and net realizable value, and include contract work in progress of \$114,124.

#### (c) Depreciation

Depreciation, with the exception of Estevan Brick Division, has been calculated on a straight line basis using rates determined by management as suitable for this type of industry and the maintenance program followed by the company. The assets of the Estevan Brick Division have been depreciated on the diminishing balance basis and on the basis of principal repayment for lease-purchase equipment. Leasehold improvements are amortized over the life of the lease.

Depreciation is provided at the following rates:

|                                         |           |
|-----------------------------------------|-----------|
| Cranes and heavy construction equipment | — 5%      |
| Heavy trucks and trailers               | — 10%     |
| Light trucks and automobiles            | — 20%     |
| Office and shop equipment               | — 10%     |
| Permanent buildings                     | — 5%      |
| Contract buildings                      | — 10%     |
| Parking lot                             | — 5%      |
| Estevan Brick Division                  |           |
| — Machinery and equipment               | — 10%-30% |
| — Building and other                    | — 5%      |
| Engineering Division — Equipment        | — 10%     |

#### (d) Deferred charges

This represents improvements to storage yards which are amortized over a five year period.

#### (e) Deferred income taxes

For income tax purposes, the companies have claimed capital cost allowances in excess of depreciation recorded in the accounts and have deferred revenue for income tax purposes on contract holdbacks and work in progress, resulting in a deferment of income taxes. In 1976 the deferred income taxes have been reduced by a tax loss carry forward.



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Notes To Consolidated Financial Statements

As At 31 December 1976

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Operating authorities

The cost of operating authorities includes \$168,834, representing the excess acquisition cost of certain subsidiaries over their book value, which subsidiaries were acquired principally for their operating authorities.

#### (g) Equipment lease-purchase agreement

It is the company's practice to capitalize long term agreements of this nature to the extent of the principal element and to charge operations with depreciation at the rate set out in Note 1(c).

### 2. FIXED ASSETS

|                                                     | 1976               |                             | 1975               |                             |
|-----------------------------------------------------|--------------------|-----------------------------|--------------------|-----------------------------|
|                                                     | Cost               | Accumulated<br>Depreciation | Cost               | Accumulated<br>Depreciation |
| Land .....                                          | \$ 637,836         | \$ —                        | \$ 636,679         | \$ —                        |
| Cranes and heavy<br>Construction<br>equipment ..... | 3,291,256          | 273,381                     | 867,316            | 159,589                     |
| Heavy trucks and<br>trailers .....                  | 3,845,043          | 1,488,727                   | 4,133,825          | 1,424,383                   |
| Light trucks and<br>automobiles .....               | 429,184            | 82,774                      | 194,723            | 92,874                      |
| Office and shop<br>equipment .....                  | 738,240            | 130,678                     | 406,578            | 76,168                      |
| Permanent buildings .....                           | 474,221            | 84,046                      | 474,221            | 60,335                      |
| Contract buildings .....                            | 195,876            | 52,688                      | 195,876            | 33,322                      |
| Parking lot .....                                   | 90,296             | 13,912                      | 90,296             | 4,882                       |
| Leasehold improvements .....                        | 83,958             | 7,198                       | —                  | —                           |
| Estevan Brick Division                              |                    |                             |                    |                             |
| Land .....                                          | 23,987             | —                           | 4,437              | —                           |
| Machinery and<br>equipment .....                    | 446,915            | 81,618                      | 271,128            | 46,097                      |
| Building and other .....                            | 143,721            | 14,625                      | 94,115             | 15,018                      |
| Engineering Division                                |                    |                             |                    |                             |
| Equipment .....                                     | 27,906             | 4,192                       | 27,906             | 1,400                       |
|                                                     | <u>10,428,439</u>  | <u>2,233,839</u>            | <u>7,397,100</u>   | <u>1,914,068</u>            |
| Cost less accumulated<br>depreciation .....         | <u>\$8,194,600</u> |                             | <u>\$5,483,032</u> |                             |



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Notes To Consolidated Financial Statements

As At 31 December 1976

### 3. BANK INDEBTEDNESS

Included in bank indebtedness less cash on hand are the following bank loans:

|                                                                                                                                                      | 1976               | 1975               |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Operating line of credit secured by<br>general assignment of inventories<br>and book debts of the Estevan Brick<br>Division, payable on demand ..... | \$ 420,000         | \$ 50,000          |
| Operating line of credit secured by debenture<br>set out in Note 4 and payable on demand .....                                                       | 850,000            | 1,000,000          |
|                                                                                                                                                      | <u>\$1,270,000</u> | <u>\$1,050,000</u> |

### 4. LONG TERM DEBT

|                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1976               | 1975               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Conditional sales agreement, secured on<br>equipment and payable in monthly and<br>quarterly instalments, including interest<br>at rates from 10% to prime rate plus<br>2½% .....                                                                                                                                                                                                                                                         | \$ 761,182         | \$ 886,508         |
| Bank loan, secured by a debenture which<br>creates a fixed charge on certain assets<br>by way of first mortgage, and charges<br>all other assets by way of a first floating<br>charge in favour of the bank, subject<br>to the Estevan Brick Division security<br>referred to in Note 3, and the assets<br>secured by way of conditional sales<br>contracts above. The loans are repayable<br>in quarterly instalments of \$200,000 ..... | 3,150,000          | 450,000            |
| Mortgages payable on three employee-<br>occupied dwellings at Estevan, interest<br>5½% to 6% .....                                                                                                                                                                                                                                                                                                                                        |                    | 16,080             |
| First mortgage, repayable \$904 monthly<br>including principal and interest at prime<br>plus 1½% maturing 1986 .....                                                                                                                                                                                                                                                                                                                      | 67,440             | -                  |
| Agreement for sale, interest payable monthly<br>at prime plus 2% with principal payable in<br>36 equal monthly instalments commencing<br>November 1977 .....                                                                                                                                                                                                                                                                              | 250,000            | 250,000            |
| Equipment lease-purchase agreement, payable<br>over 120 equal monthly instalments, including<br>interest with a final principal<br>instalment of \$12,500 .....                                                                                                                                                                                                                                                                           | 173,857            | 211,719            |
| Carried forward .....                                                                                                                                                                                                                                                                                                                                                                                                                     | <u>\$4,397,988</u> | <u>\$1,814,289</u> |



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

## Notes To Consolidated Financial Statements

As At 31 December 1976

### 4. LONG TERM DEBT (Continued)

|                                | 1976               | 1975              |
|--------------------------------|--------------------|-------------------|
| Brought forward .....          | \$4,397,988        | \$1,814,289       |
| Deferred finance charges ..... | 142,980            | 199,903           |
|                                | 4,255,008          | 1,614,386         |
| Current portion .....          | 1,281,350          | 631,666           |
|                                | <u>\$2,973,658</u> | <u>\$ 982,720</u> |
| Annual instalments:            |                    |                   |
| 1978 .....                     | \$ 848,360         |                   |
| 1979 .....                     | 791,628            |                   |
| 1980 .....                     | 699,645            |                   |
| 1981 .....                     | 515,000            |                   |
| 1982 and subsequent .....      | <u>119,025</u>     |                   |
|                                | <u>\$2,973,658</u> |                   |

### 5. SHARE EXCHANGE OPTION

The company has entered into an agreement with the two voting minority shareholders of Pe Ben Pipelines Ltd. whereby they would have the right to convert their shareholdings into shares of Pe Ben Oilfield Services Ltd. on a basis equal to the respective book value of each company after adjusting for increase in value of the tangible assets. This option is exercisable after the second year of operations and before the end of the fifth year. The above agreement is subject to the approval of the regulatory authorities.

### 6. KEY EMPLOYEE STOCK OPTION

Under a key employee stock option plan approved in 1973, 75,000 shares are reserved for stock options. Options for 47,500 shares at \$5.40 were granted of which 6,100 have been exercised and 33,000 have lapsed or have been forfeited through termination of employment. Options for 4,200 shares will expire annually on 19 March 1977 and 1978.

### 7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the companies to directors and senior officers of the company amounted to \$122,500 (1975 \$221,464).



# FINANCIAL STATEMENTS

PE BEN OILFIELD SERVICES LTD.

Notes To Consolidated Financial Statements

As At 31 December 1976

## 8. EXTRAORDINARY ITEM

During the year the company received an amount of \$1,132,590 in settlement of damages for breach of contract. Tax counsel for the company is of the opinion that the receipt is not taxable and accordingly no taxes have been provided.

In 1975, the Pan Arctic Contract was terminated resulting in a loss of \$113,023 after providing for income taxes of \$106,500.

## 9. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act which became effective 14 October 1975 and is scheduled to remain in force until 31 December 1978. As at 31 December 1976, based upon the company's present understanding of the Anti-Inflation Act, they have complied with the provision of that Act.

## 10. SUBSEQUENT EVENTS

### (a) Sale of Estevan Brick Division

An agreement effective 1 January 1977 was entered into by one of the company's subsidiaries for the sale of the net assets of the Estevan Brick Division for \$1,600,000 cash plus a note receivable of \$224,500. The company will realize a gain of \$750,000 after providing for applicable income taxes of \$300,000. This transaction has not yet closed as it is subject to the approval of the Foreign Investment Review Agency.

### (b) Option Agreement with Milton Group Ltd.

One of the company's subsidiaries entered into an agreement with Milton Group Ltd. on 7 January 1977 for supplying satisfactory management services to its brick manufacturing plant and arranging proper financing in return for an option to purchase a controlling interest in the company at \$1.29 a share within three years of the contract date. The company may be called upon to guarantee certain bank loans during the duration of the contract.

On 4 February 1977 the company entered into an agreement to sell 44% of its shares that are under option to it by Milton Group Ltd. as indicated above to parties who in turn will provide management and financing up to \$500,000 to Milton Group Ltd. The financing is to be equalled by the company on the security of a first mortgage and bear interest at prime plus 2%. This agreement is conditional on the closing of the transaction referred to in Note 10(a).

## 11. CONTINGENT LIABILITY

One of the company's subsidiaries has issued a statement of claim against one of its customers for non-payment of its account. In the course of this action the customer has issued a counter-claim for an undefined amount for general damages. Management is of the opinion that the counter-claim is without foundation and will be dismissed by the courts.





## FINANCIAL COMPARISON

|                                                                                               | 1976        | 1975       |
|-----------------------------------------------------------------------------------------------|-------------|------------|
| Gross revenues .....                                                                          | 14,339,416  | 15,990,552 |
| Income (loss) before taxes, extraordinary item, and minority interests .....                  | (2,435,182) | 923,359    |
| Net income (loss) from operations (excluding extraordinary item and minority interests) ..... | (1,249,182) | 462,853    |
| Working capital at year end .....                                                             | 397,295     | 1,400,564  |
| Additions to property, plant and equipment .....                                              | 3,845,483   | 1,298,373  |
| Long term debt at year end .....                                                              | 2,973,658   | 982,720    |
| Total assets at year end .....                                                                | 13,766,002  | 11,992,424 |
| Shareholders' equity at year end .....                                                        | 5,179,408   | 5,376,690  |
| Shares outstanding .....                                                                      | 1,877,600   | 1,877,600  |
| Earnings (loss) per share .....                                                               | (.11)       | .19        |





### SUPPORT SERVICES

The provision of support services, as shown here, annually contributes to corporate revenues while providing clientele with their specialized equipment needs.









### PIPELINE CONSTRUCTION

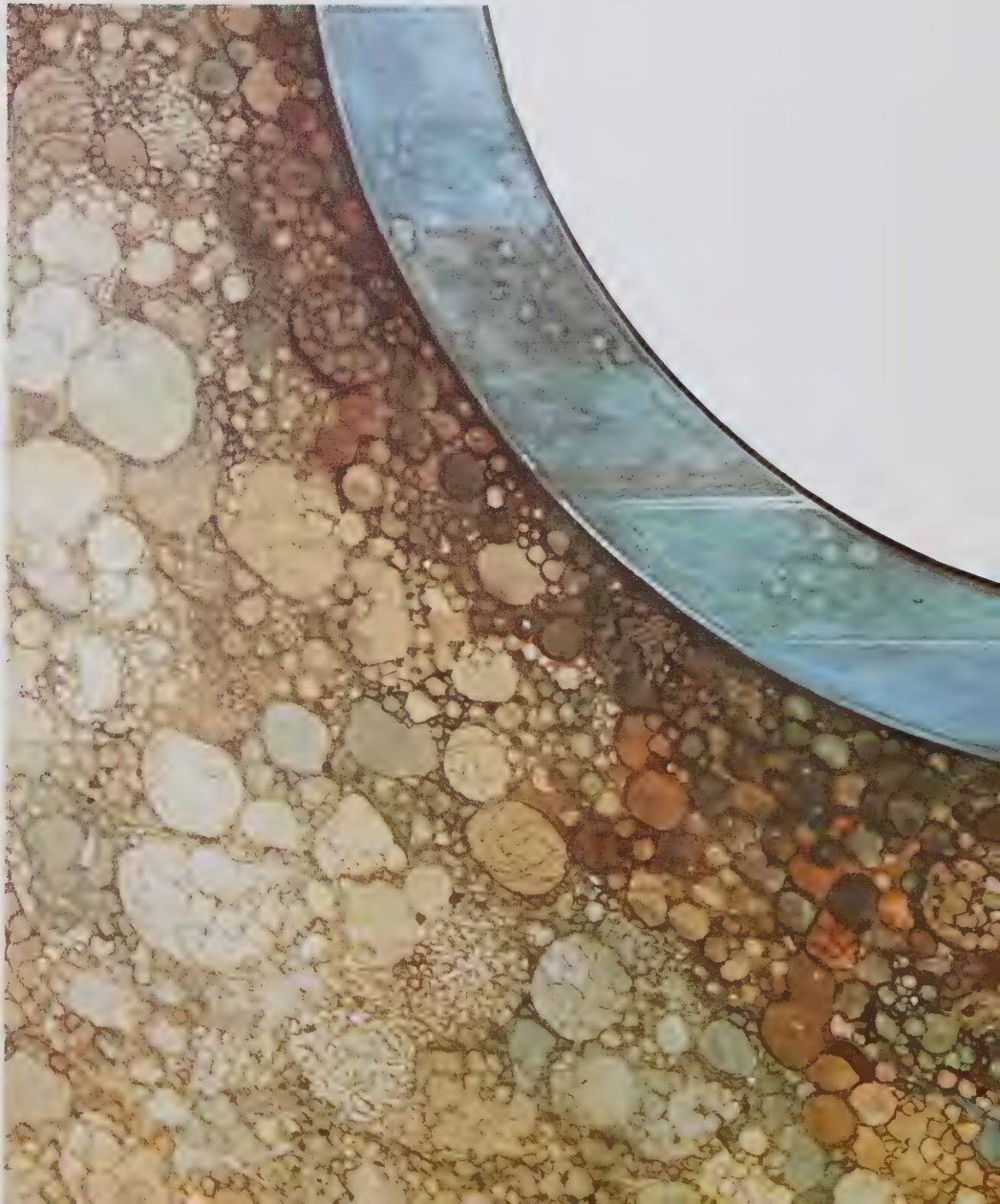
In May 1976 the scope of PE BEN's operations were extended to include the construction of mainline and distribution oil and gas transmission pipelines, as well as waterline construction with the formation of the Company's subsidiary, PE BEN PIPELINES LIMITED.





### SPECIALIZED TRANSPORTATION

A major thrust of the Company's operations continues to focus on the provision of specialized, contract transportation services such as those depicted below.













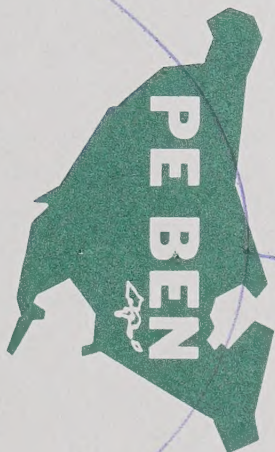
## PE BEN OILFIELD SERVICES LTD.

Consolidated Statement of Changes in Financial Position  
For the Six Months Period Ended June 30, 1976

(Unaudited)

|                                                              | 1976               | 1975               |
|--------------------------------------------------------------|--------------------|--------------------|
| <b>SOURCE OF FUNDS</b>                                       |                    |                    |
| From Operations                                              |                    |                    |
| Net earnings                                                 | \$ (222,640)       | \$ (269,446)       |
| Items not involving Funds                                    |                    |                    |
| Depreciation                                                 | 367,099            | 349,073            |
| Amortization of deferred costs                               | 30,094             | 33,600             |
| Deferred income taxes, non-current                           | (14,987)           | (575,815)          |
| (Gain) Loss on disposal of fixed assets                      | —                  | 380,387            |
|                                                              | <u>159,566</u>     | <u>(82,201)</u>    |
| Sale of fixed assets                                         | 1,027              | (2,339,451)        |
| Issue of common shares                                       | 510                | —                  |
| Increase in long term debt acquisition of fixed assets — net | 955,806            | —                  |
| Reduction in long term not receivable                        | 34,177             | —                  |
| Minority interest                                            | (13,798)           | —                  |
|                                                              | <u>\$1,137,288</u> | <u>\$2,257,250</u> |
| <b>APPLICATION OF FUNDS</b>                                  |                    |                    |
| Additions to Fixed Assets                                    | 1,679,145          | 186,161            |
| Site preparation costs deferred                              | —                  | 92,611             |
| Decrease in long term debt - net                             | —                  | 1,776,203          |
|                                                              | <u>1,679,145</u>   | <u>2,054,975</u>   |
| <b>INCREASE (DECREASE) IN WORKING CAPITAL</b>                | <b>(541,857)</b>   | <b>202,275</b>     |
| WORKING CAPITAL, beginning of year                           | 1,400,564          | 964,564            |
| WORKING CAPITAL, end of Period                               | <u>\$ 858,707</u>  | <u>\$1,166,839</u> |

## OILFIELD SERVICES LTD.



## SECOND QUARTER REPORT

For the Six Months  
January 1 to June 30, 1976



## TO THE SHAREHOLDERS:

Results for the six month period ending June 30, 1976 reflect the similar operating period of 1975.

Net loss for the first six months amounted to \$222,640.00 or 11.8¢ per share as compared to a loss of \$269,446.00 or 14.9¢ per share for the corresponding period of 1975.

Working capital position was reduced to \$858,707.00 as compared to \$1,116,839.00 for the same period of 1975. This decrease is attributable to the purchase of fixed assets for the newly established pipeline company.

The company recently was successful in receiving two contracts in British Columbia for dyke improvements and completion of these two projects is early December of this year.

Support services operations of the company are looking forward to a similar increase in revenues for the last half of the fiscal year, comparable to the increase in 1975.

During the second quarter of 1976 we incorporated a new company called PE BEN Pipelines Limited, which is involved in pipeline construction and to date the new company has been successful in obtaining several small contracts involved in pipeline construction activities. Management is very optimistic in regard to the input by this new company in ensuing years as pipeline construction accelerates within Canada.

Estevan Brick is experiencing its best year in regard to sales and should surpass its excellent results of 1975.

The continuing resurgence of the oil and gas exploration activities, entry into dyke improvement operations and the new pipeline company has management anticipating favorable results for the immediate and long range future of your company.

P.W. SHIPKA  
PRESIDENT

## PE BEN OILFIELD SERVICES LTD.

Consolidated Balance Sheet

As At June 30, 1976

(Unaudited)

### ASSETS

| CURRENT                             | 1976                | 1975               |
|-------------------------------------|---------------------|--------------------|
| Accounts receivable                 | \$3,651,029         | \$2,345,334        |
| Inventories                         | 597,812             | 536,741            |
| Land held for resale                | —                   | 157,249            |
| Prepaid expenses                    | 369,036             | 247,904            |
| Current portion of notes receivable | 34,177              | —                  |
|                                     | <u>4,652,054</u>    | <u>3,287,228</u>   |
| Notes receivable                    | 102,531             | —                  |
| Fixed - Net                         | 6,794,050           | 4,894,913          |
| Operating authorities, at cost      | 227,306             | 227,306            |
| Deferred charges                    | <u>288,532</u>      | <u>307,956</u>     |
|                                     | <u>\$12,064,473</u> | <u>\$8,717,403</u> |

### LIABILITIES

| CURRENT                                  | 1976               | 1975               |
|------------------------------------------|--------------------|--------------------|
| Bank indebtedness                        | \$1,071,166        | \$ 421,484         |
| Accounts payable and accrued liabilities | 1,092,845          | 911,508            |
| Income taxes                             | 479,049            | 166,950            |
| Deferred income taxes                    | 120,872            | —                  |
| Current portion of long term debt        | 1,029,415          | 620,447            |
|                                          | <u>\$3,793,347</u> | <u>\$2,120,389</u> |
| LONG TERM DEBT                           | 1,938,526          | 933,775            |
| DEFERRED INCOME TAXES                    | 1,191,838          | 1,076,710          |
| MINORITY INTEREST                        | <u>(13,798)</u>    | —                  |

### SHAREHOLDERS' EQUITY

|                                                |                     |                    |
|------------------------------------------------|---------------------|--------------------|
| Share capital                                  | 1,819,827           | 1,648,432          |
| Authorized                                     |                     |                    |
| 3,500,000 shares of no par value               |                     |                    |
| Issued                                         |                     |                    |
| 1,878,110 shares                               |                     |                    |
| Equity increase on Acquisition of Subsidiaries | 13,012              | 13,012             |
| Retained earnings                              | 3,544,361           | 3,194,531          |
| Net Earnings (Loss)                            | <u>(222,640)</u>    | <u>(269,446)</u>   |
|                                                | <u>5,154,560</u>    | <u>4,586,529</u>   |
|                                                | <u>\$12,064,473</u> | <u>\$8,717,408</u> |

## PE BEN OILFIELD SERVICES LTD.

Consolidated Statement of Income

For The Six Months Period Ended June 30, 1976

(Unaudited)

|                                                                             | 1976             | 1975             |
|-----------------------------------------------------------------------------|------------------|------------------|
| Gross Revenue                                                               | \$5,562,812      | \$5,567,819      |
| Operating and Administration Expenses                                       | 5,515,332        | 5,309,427        |
| Depreciation                                                                | 367,009          | 349,073          |
| Interest — Current                                                          | 51,322           | 40,495           |
| Interest — Long Term                                                        | 93,712           | 164,028          |
| Loss on Disposal of Fixed Assets                                            | —                | 470              |
|                                                                             | <u>6,027,375</u> | <u>5,863,493</u> |
| Earnings (Loss) Before Income Taxes, Minority Interest & Extraordinary Item | (464,563)        | (295,674)        |
| Income Taxes — Current                                                      | 2,130            | 253,108          |
| — Deferred                                                                  | (229,765)        | (394,147)        |
| Minority Interest                                                           | (14,288)         | —                |
|                                                                             | <u>(241,923)</u> | <u>(141,039)</u> |
| Net Earnings (Loss) before Extraordinary Item                               | (222,640)        | (154,635)        |
| Extraordinary Item                                                          | —                | (114,811)        |
| Net Earnings (Loss) for the period                                          | —                | —                |
| Net Earnings (Loss) Per Share                                               | \$ (222,640)     | \$ (269,446)     |
| on number of shares outstanding                                             | (11.8¢)          | (14.9¢)          |